

KSLU – FM RADIO

**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
SOUTHEASTERN LOUISIANA UNIVERSITY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2012

KSLU – FM Radio
A Public Telecommunications Entity Operated by
Southeastern Louisiana University
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As of and For the Year Ended June 30, 2012

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
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November 28, 2012

Independent Auditor's Report

Mr. Todd Delaney, General Manager
KSLU-FM Radio
Hammond, Louisiana

We have audited the accompanying statements of financial position of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University, as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of KSLU-FM Radio's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSLU-FM Radio as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, on our consideration of KSLU-FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Statement of Financial Position
June 30, 2012
(With Comparative Totals as of June 30, 2011)

Exhibit A

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Cash	\$ 18,501	\$ 16,643
University Intra-Fund Balance	215,455	151,711
Accounts Receivable, Net of Allowance for Uncollectible Accounts	13,927	15,354
Equipment, Net of Accumulated Depreciation	<u>54,519</u>	<u>74,121</u>
Total Assets	<u>\$ 302,402</u>	<u>\$ 257,829</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Temporarily Restricted	<u>302,402</u>	<u>257,829</u>
Total Net Assets	<u>302,402</u>	<u>257,829</u>
Total Liabilities and Net Assets	<u>\$ 302,402</u>	<u>\$ 257,829</u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Statement of Activities
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

Exhibit B

	June 30, 2012			June 30, 2011		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Revenues:						
Contributions from Southeastern Louisiana University:						
General Appropriation	\$ -	\$ 231,711	\$ 231,711	\$ -	\$ 223,015	\$ 223,015
Donated Facilities & Administrative Support	-	94,662	94,662	-	91,848	91,848
Student Tuition Assessment	-	144,575	144,575	-	93,151	93,151
Grant Revenue	-	87,994	87,994	-	88,177	88,177
Private Sector Revenue	44,242	-	44,242	60,717	-	60,717
Net Assets Released from Restrictions:						
Restrictions Satisfied by Payments	514,369	(514,369)	-	489,785	(489,785)	-
Total Revenues	558,611	44,573	603,184	550,502	6,406	556,908
Expenses:						
Unrestricted Operating Funds	370,083	-	370,083	369,484	-	369,484
Restricted Operating Funds	115,555	-	115,555	83,451	-	83,451
Restricted Operating Fees	8,323	-	8,323	28,751	-	28,751
Community Service Grants	42,497	-	42,497	46,074	-	46,074
National Production & Program Acquisition Grants	22,153	-	22,153	21,309	-	21,309
Loss on Disposal of Fixed Assets	-	-	-	1,433	-	1,433
Total Expenses	558,611	-	558,611	550,502	-	550,502
Change in Net Assets	-	44,573	44,573	-	6,406	6,406
Net Assets - Beginning of the Year	-	257,829	257,829	-	251,423	251,423
Net Assets - End of the Year	\$ -	\$ 302,402	\$ 302,402	\$ -	\$ 257,829	\$ 257,829

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Statement of Cash Flows
For the Year Ended June 30, 2012
(With Comparative Totals For the Year Ended June 30, 2011)

Exhibit C

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 44,573	\$ 6,406
Adjustments to Reconcile Change in Net Assets To		
Net Cash Used by Operating Activities:		
Depreciation	41,974	52,859
Loss on Disposal of Fixed Assets	-	1,433
(Increase) Decrease in Accounts Receivable	1,427	(13,594)
(Increase) Decrease in University Intra-Fund Receivable	(63,744)	(30,629)
Net Cash Provided by Operating Activities	<u>24,230</u>	<u>16,475</u>
Cash Flows from Investing Activities		
Purchase of Equipment	(22,372)	(16,174)
Net Cash Used by Investing Activities	<u>(22,372)</u>	<u>(16,174)</u>
Net Increase in Cash and Cash Equivalents	1,858	301
Cash and Cash Equivalents - Beginning of the Year	<u>16,643</u>	<u>16,342</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 18,501</u>	<u>\$ 16,643</u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Notes to Financial Statements
As of and For the Year Ended June 30, 2012

Introduction

KSLU-FM Radio (the "Station") is a public telecommunications entity operated by Southeastern Louisiana University (the "University") in Hammond, Louisiana. Its purpose is to provide public radio programming and broadcasting in Hammond, Louisiana and the surrounding area. The Station is funded in part by direct state appropriations through the University, in-kind support from the University, and self-assessed student fees through the University. The Station is also funded through grants provided by the Corporation for Public Broadcasting (CPB) as well as private sector underwriting sources. The Station presently has five full-time employees.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Station have been prepared on the accrual basis and in conformity with standards generally accepted in the United States of America.

B. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the Station are reported in self-balancing fund groups as follows:

Operating Funds include resources available to support the operations of the Station. Primary support is provided by the University; however, additional support is provided through in-kind donations.

Property Fund includes resources invested in property and equipment used in the Station's operations.

Community Service Grant Funds represent grants funded by CPB. The amounts funded are designated for the Station's operating expenses.

National Production and Programming Grant Funds represent grants funded by CPB. The amounts funded are designated for national production and program acquisition expenses.

C. University Intra-Fund Balance

The University provides cash management services to the Station. Amounts included in intra-fund balances represent the respective payable or receivable between the Station and the University.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Notes to Financial Statements (Continued)
As of and For the Year Ended June 30, 2012

D. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

E. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in fund balances. Accordingly, certain costs have been allocated among programs and supporting services benefited based on total personnel costs or the other systematic bases.

F. Indirect Contributions and Support

Donated facilities from the University consist of studio and office space together with related occupancy costs and are recorded in revenue and expense at either fair market value or the direct cost with allocations based on the Station's respective usage.

G. Restricted Support

The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

H. Gifts of Long-Lived Assets

The Station reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

I. Revenue Recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or upon accrual. State appropriation support is reported as unrestricted revenue. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

J. Financial Statement Presentation

The Station follows ASC 958-20 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations") with regard to its financial statement presentation. Under FASB ASC 958-20, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets,

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Notes to Financial Statements (Continued)
As of and For the Year Ended June 30, 2012

temporarily restricted net assets, and permanently restricted net assets. The Station does not currently have any permanently restricted net assets.

K. Contributions

The Station records its public support in accordance with FASB ASC 958-605 (formerly SFAS No. 116, "Accounting for Contributions Received and Contributions Made"). In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be unrestricted and available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Station reports the support as unrestricted.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Property and Equipment

Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the date of receipt. Depreciation is calculated by the straight-line method for all property acquired before 1981, and for property acquired after 1989, and by the accelerated cost recovery (ACRS) method for all property acquired from 1982 to 1989. Estimated useful lives used in depreciation calculations range from three to ten years. Depreciation was \$41,974 for fiscal year 2012. Expenditures for maintenance and repairs are charged against revenues as incurred. Fixed asset purchases, the cost of major additions, and improvements are capitalized if the value is over \$1,000.

Transmitting and Broadcast Equipment	\$ 480,391
Furniture and Office Equipment	23,604
	<hr/> 503,995
Less: Accumulated Depreciation	449,476
Net Property and Equipment	<hr/> <hr/> \$ 54,519

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Notes to Financial Statements (Continued)
As of and For the Year Ended June 30, 2012

3. Pension Plan

Employees of the Station are employees of the University and are members of the Louisiana State Employees Retirement System and the Louisiana State Teachers Retirement System. Contributions by the Station to these two retirement systems during the year total \$9,240 and \$22,885, respectively. Required disclosures relating to the status of these retirement systems is provided in the University's financial statements.

4. Functional Expenses

Expenses incurred were for:

	Programming & Production	Broadcasting	Management & General	2012 Total
Salaries & benefits	\$ 90,060	\$ 118,937	\$ 127,977	\$ 336,974
Occupancy	325	286	196	807
Dues & subscriptions	25,597	-	3,235	28,832
Xerox copies	-	-	5	5
Repairs & maintenance	-	213	3,378	3,591
Conferences / meetings	-	-	223	223
Advertising	-	-	3,025	3,025
Printing	-	-	515	515
Professional services	-	-	28,840	28,840
Office supplies	522	-	7,006	7,528
Depreciation	-	39,470	2,504	41,974
Telephone	-	60	6,253	6,313
Institutional support	34,260	30,082	20,687	85,029
Physical plant	3,556	3,122	2,147	8,825
Student work study	-	-	-	-
Rentals	-	2,354	-	2,354
Loss on disposals	-	-	-	-
Miscellaneous	-	-	3,776	3,776
Totals	<u>\$ 154,320</u>	<u>\$ 194,524</u>	<u>\$ 209,767</u>	<u>\$ 558,611</u>

5. Grants from the Corporation for Public Broadcasting

CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. Annually, CPB distributes funds in the form of Community Service Grants (CSGs) and National Program Production and Acquisition Grants (NPPAGs) to qualifying public telecommunication entities.

CSGs are used to augment the financial resources of public broadcasting stations and thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code

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Notes to Financial Statements (Continued)
As of and For the Year Ended June 30, 2012

Annotated Section 396(k)(7), 1983 Supplement. In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients. In addition, the grants may be used to sustain activities begun with CSGs awarded in prior years.

NPPAGs are grants limited to the production, acquisition, promotion, and distribution of national programming. National programming has been defined as a program placed in the national marketplace of public radio programming. Public broadcasting uses these funds for purposes relating primarily to production and acquisition of programming.

Both the CSG and NPPAG grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The CPB grants received and expended during the most recent fiscal years were as follows:

Type of Grant	Year of Grant	Grants Received	Expended			Ending Balance
			Prior - 2010	2010 - 2011	2011 - 2012	
Disaster Relief	2005 - 07	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -
CSG	2007 - 09	56,835	56,835	-	-	-
CSG	2008 - 10	55,876	51,427	4,449	-	-
NPPAG	2008 - 10	19,744	19,744	-	-	-
CSG	2009 - 11	59,683	-	53,879	5,804	-
NPPAG	2009 - 11	21,309	-	21,309	-	-
Fiscal Stabilization	2009 - 11	7,379	3,459	3,920	-	-
CSG	2010 - 12	65,075	-	-	59,066	6,009
NPPAG	2010 - 12	23,102	-	-	22,153	949
CSG	2011 - 13	65,028	-	-	-	65,028
NPPAG	2011 - 13	22,966	-	-	-	22,966

In addition to the normal CSG and NPPAG grants received annually, the Station also received a \$20,000 Disaster Relief Grant during a prior year. This grant was provided by CPB in September 2005 to assist the Station in recovering from Hurricane Katrina. This is considered to be a one-time grant and will not be received by the Station in the future.

The Station also received a \$7,379 Fiscal Stabilization Grant in February 2010. The purpose of this grant was to provide help to public television and radio stations facing declines in federal funding for the previous two years. All public radio stations were awarded this one-time grant.

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Notes to Financial Statements (Continued)
As of and For the Year Ended June 30, 2012

6. State Appropriations

This classification includes financial resources provided to the Station through budgetary authorizations of the State of Louisiana. State appropriations utilized for the year ended June 30, 2012 were as follows:

Authorized State Appropriation	\$ 231,711
Unexpended Appropriation	-
Total Operating Fund	231,711
Property Fund	-
Total	\$ 231,711

7. Indirect Administrative Support

Portions of the licensee's general overhead costs relate to and benefit the public broadcaster. Such items include administration, utilities, maintenance, and repair. These services were provided without cost and have been allocated to the Station. The fair value of these services is reported as revenue and expense in the accompanying statement of financial activity.

Donated facilities from the licensee are based on the depreciated value of space occupied.

8. Student Tuition Assessment

Each student taking at least four semester hours is assessed a fee per semester which is dedicated to the Station. Revenue from this source was generated in the amount of \$144,575.

9. Economic Dependency

For the fiscal year ended June 30, 2012, the Station received a total of \$603,184 in total revenues and support. The majority (92.67%) of these revenues came from two sources – CPB and the University. The Station received \$470,948, or 78.08%, of support from the University and \$87,994, or 14.59%, of support from CPB.

10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 28, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Other Independent Auditor's Report and
Findings and Questioned Costs**

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November 28, 2012

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Mr. Todd Delaney, General Manager
KSLU-FM Radio
Hammond, Louisiana

We have audited the financial statements of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of KSLU-FM Radio is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KSLU-FM Radio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KSLU-FM Radio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of KSLU-FM Radio's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KSLU-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mr. Todd Delaney
General Manager

This report is intended solely for the information and use of management, Southeastern Louisiana University, the Louisiana Legislative Auditor, and the Corporation for Public Broadcasting, and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs". The signature is written in dark ink and is positioned above the printed name of the firm.

Durnin & James, CPAs
(A Professional Corporation)

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Schedule of Findings and Responses
As of and For the Year Ended June 30, 2012

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

KSLU-FM Radio
A Public Telecommunications Entity Operated By
Southeastern Louisiana University
Summary Schedule of Prior Audit Findings
As of and For the Year Ended June 30, 2012

Fiscal Year Findings		Description of Finding	Corrective Action Taken
<u>Ref #</u>	<u>Initially Occurred</u>		

Compliance

None

Internal Control

None

Note: This schedule was prepared by the management of KSLU-FM Radio.